

II. FINANCING

The financing pattern of the State laws is influenced by the Federal Unemployment Tax Act since employers may credit toward the 3-percent Federal payroll tax the State contributions which they pay under an approved State law. They may credit also any savings on the State tax under an approved experience-rating plan. However, the total credit may not exceed 90 percent of the 3-percent Federal tax. There is no Federal tax on employees.

Source of Funds

All the States finance unemployment benefits mainly by contributions from subject employers on the wages of their covered workers; in addition, three States collect employee contributions. The funds collected are held for the States in the unemployment trust fund in the United States Treasury, and interest is credited to the State accounts. From this fund money is drawn to pay benefits or to refund contributions erroneously paid.

States with depleted reserves may, under specified conditions, obtain advances from the Federal unemployment account to finance benefit payments (see page 19). Advances are to be repaid by either (1) a transfer of funds from the State's account (at the direction of its governor) to the Federal unemployment account, or (2) a decrease in the 90-percent allowable credit against the 3-percent Federal tax if outstanding advances have not been fully repaid by December 1 of the taxable year starting with the fourth January 1 after the date of the advance.

Employer contributions.—The standard rate of contributions under all State laws except North Dakota, is 2.7 percent, 90 percent of the Federal tax. Individual employers in all States except Alaska may pay at reduced rates of contributions under experience-rating provisions, described below.

Except in six States, the employer's contribution, like the Federal tax, is based on the first \$3,000 paid to (or earned by) a worker within a calendar year; in California, Delaware, Nevada, Oregon, and Rhode Island the contribution is based on the first \$3,600 per year and in Alaska on the first \$4,200. Twenty-seven States (see table 3) have included provisions which, in effect, would automatically extend the employer's contribution liability to include all

remuneration for service which may be taxed under the Federal Unemployment Tax Act, however, the Maryland provision would limit the extension to \$3,600.

Most States follow the Federal pattern in excluding from taxable wages payments by the employer of the employees' tax for Federal old-age and survivors insurance, and payments from or to certain special benefit funds for employees. Under the State laws, wages include the cash value of remuneration paid in any medium other than cash and, in many States, gratuities received in the course of employment from other than the regular employer.

In every State an employer is subject to certain interest and/or penalty payments for delay or default in payment of contributions, and usually he incurs penalties for failure or delinquency in making reports. In addition, the State administrative agencies have legal recourse to collect contributions, usually involving jeopardy assessments, levies, judgments, liens, and civil suits.

The employer who has overpaid is entitled to a refund in every State. Such refunds may be made within time limits ranging from 1 to 6 years; in two States no limit is specified.

Employee contributions.—Only Alabama, Alaska, and New Jersey collect employee contributions and of the nine States¹ which formerly collected such contributions only Alabama and New Jersey do so now. In Alabama and New Jersey the tax is on the first \$3,000 received from one or more employers in a calendar year and in Alaska on the first \$4,200. The employee contributions are deducted by the employer from the workers' pay and sent with his own contribution to the State agency. In Alabama the employee contribution for unemployment insurance is 0.1 percent, except if the fund balance is less than the minimum normal amount ($1\frac{1}{2}$ times the highest ratio of benefits to payrolls during the last 10 years applied to the highest taxable payrolls in the last 3 years) the employee rate is 0.25 percent. In Alaska employees pay 0.5 percent. In New Jersey employees pay 0.25 percent for unemployment insurance purposes and 0.5 percent for disability insurance purposes. California and Rhode Island collect employee contributions for a related system of disability insurance.

Financing of administration.—The Social Security Act undertook to assure adequate provision for administering the unemployment insurance program in all States by authorizing Federal grants to States to meet the total cost of "proper and efficient administration" of approved State unemployment insurance laws. These grants are made from the general Federal treasury. Thus the States have not had to collect any tax for administration from the employers

¹ Alabama, California, Indiana, Kentucky, Louisiana, Massachusetts, New Hampshire, New Jersey, and Rhode Island.

or to make any appropriations from general State revenues for the administration of the unemployment insurance laws.

Public Law 567, 83d Congress, approved August 5, 1954, affected the system of financing administration of the employment security program. Since July 1, 1953, the 0.3 percent Federal unemployment tax has been reserved for employment security purposes. The Congress will continue to make appropriations for proper and efficient administration of the Federal-State program. At the end of each fiscal year after 1953, an amount equal to the excess of taxes collected under the Federal Unemployment Tax Act over the cost of administering the Federal and State operations of the program will be placed in the Federal unemployment account until that account reaches a balance of \$200 million. Thereafter, except as necessary to maintain this balance, excess tax collections will be allocated to the trust accounts (in the unemployment trust fund) of the various States in the proportion that their covered payrolls bear to the aggregate of all States.

The sums allocated to States' trust accounts are to be generally available for benefit purposes. Under specified conditions a State may, however, through a special appropriation act of its legislature, utilize the allocated sums to supplement Federal administrative grants in financing its operations. Twenty-six of the States have amended their unemployment insurance laws to permit use of some of such sums for administrative purposes, and 18 States have appropriated funds for buildings, supplies, and other administrative expenses.

Special State funds.—Thirty-seven States have set up special administrative funds, made up usually of interest on delinquent contributions, fines and penalties, to meet special needs. The most usual statement of purpose includes one or more of these three items: (1) to cover expenditures for which Federal funds have been requested but not yet received, subject to repayment to the fund; (2) to pay costs of administration found not to be properly chargeable against funds obtained from Federal sources; and (3) to replace funds lost or improperly expended for purposes other than, or in amounts in excess of, those found necessary for proper administration. Nine of these 37 States provide for the use of such funds for the purchase of land and erection of buildings for agency use and North Carolina, for enlargement, extension, repairs, or improvement of buildings. In eight States the fund is limited; when it exceeds a specified sum (\$1,000 to \$100,000) the excess is transferred to the unemployment compensation fund.

Type of Fund

The first State system of unemployment insurance in this country (Wisconsin) set up a separate reserve for each employer. To this

reserve were credited the contributions of the employer, and from it were paid benefits to his employees so long as his account had a credit balance. Most of the States enacted "pooled-fund" laws on the theory that the risk of unemployment should be spread among all employers and that workers should receive benefits regardless of the balance of the contributions paid by the individual employer and the benefits paid to his workers.

Experience Rating

All State laws, except Alaska, have in effect some system of experience rating by which individual employers' contribution rates are varied from the standard rate on the basis of their experience with unemployment risk.

The first experience-rating provisions became effective in Wisconsin in January 1938. The other States followed as indicated:

Year	Number of States	Year	Number of States
1940	8	1944	2
1941	13	1945	3
1942	17	1947	5
1943	6	1948	1

Alaska repealed its experience-rating provision effective January 1, 1955; however, separate accounts are maintained for each employer and claimant to obtain sufficient facts upon which to determine whether an experience-rating system should be readopted in the future.

Federal requirements for experience rating.—State experience-rating provisions have developed on the basis of the additional credit provisions of the Social Security Act, now the Federal Unemployment Tax Act, as amended in 1939 and in 1954. The Federal requirements differ for reserve-account and pooled-fund laws. A reserve-account law would allow employers additional credit against the Federal tax for reduced rates only if (1) contributions have been payable to the account during the last 3 years, (2) benefits have been payable from the account during the preceding year, and (3) the balance in the reserve equals or exceeds five times the largest amount of benefit payments in any 1 of the 3 calendar years preceding the date of computation and at the same time equals 2.5 percent of the aggregate payrolls for the last 3 years.

In States with pooled-fund laws employers receive additional credit for a lowered rate of contribution if the rates were based on not less than 3 years of experience "with respect to unemployment or other factors bearing a direct relation to unemployment risk."

Public Law 767, 83d Congress; approved September 1, 1954, modified the requirement of 3 years experience with unemployment by authorizing the States to extend experience-rating tax reductions to new and newly covered employers after they have had at least 1 year of such experience under the State law (table 8). This modification permits States to base the rate for an employer with 1 year's experience on that single year, and to base the rate for an employer with 2 years of experience on those 2 years. When an employer has been subject to the State law long enough to have the required 3 years of experience, the modifications provided for newly subject employers are no longer applicable to him.

Under Public Law 767, the States may also equalize as much as possible the opportunity for rate reductions between new and established employers, but not to an extent as to give new and newly covered employers any competitive advantage over established employers. In 17 States opportunity for reduced rates is equalized, in part or in whole, between employers qualifying with less than 3 years of experience and those who have completed 3 such years (table 9). Where the employer's rate is based on the ratio of his benefits, benefit wages, or compensable separations during the last 3 years to his payrolls for the same years, equalization of rates is provided automatically. Likewise, when the reserve ratio is obtained by dividing aggregate payrolls during the last 3 years into the excess of contributions over benefit charges since the employer became subject to the law, an employer with 1 or 2 years of experience can qualify for the same rate as an employer with comparable experience over a 3-year period. However, when the reserve ratio is obtained by relating the excess of contributions over benefits for all past years to the last annual payroll or to average annual payroll in recent years, an employer with 1 or 2 years of experience cannot qualify for the same rate as an employer with comparable experience over a 3-year period unless an adjustment is made in the payroll used to compute his reserve percentage or in the reserve percentages (experience ratio) that he must attain to qualify for specified contribution rates. Correspondingly, when the rates are based on the sum of any employer's payroll declines, adjustment must be made to permit the employer with less than 3 years of experience an equal opportunity for rate reduction.

State requirements for experience rating.—In most States 3 years of experience with unemployment means more than 3 years of coverage and contribution experience (table 8). Factors affecting the time required to become a "qualified" employer include (1) the coverage provisions of the State law ("at any time" vs. 20 weeks; see table 1); (2) in States using benefits or benefit derivatives in the experience-rating formula, the type of base period and benefit

Table 7.—Summary of experience-rating provisions, 50 States¹

State	Type of experience rating				Number of schedules of reduced rates	Most favorable schedule			Maximum possible rate (percent)	Voluntary contributions permitted ² (26 States)
	Reserve ratio (33 States)	Benefit ratio (6 States)	Benefit wage ratio (6 States)	Payroll declines (5 States)		Number of reduced rates	Minimum rate (percent)	Maximum reduced rate (percent)		
Alabama			X		1	9	0.5	2.5	2.7	
Arizona	X				(4)	10	.1	(9)	2.7	X
Arkansas	X				2	13	.1	2.5	2.7	X
California	X				2	14	0	2.5	3.0	
Colorado	X				7	2	0	.5	2.7	X
Connecticut					6	12	.25	.8	2.7	
Delaware			X		7	26	1.1	2.6	3.0	
Dist. of Col.	X				2	5	.1	2.0	2.7	
Florida		X			(1)	27	0	2.6	2.9	
Georgia	X				1	10	.25	2.5	2.7	
Hawaii	X				1	6	0	2.25	2.7	X
Idaho	X				5	12	.3	2.4	2.7	
Illinois			X		1	26	.1	2.6	4.0	
Indiana	X				1	5	.1	2.0	2.7	X
Iowa	X				3	4	0	.9	2.7	X
Kansas	X				(2)	14	0	(9)	2.7	X
Kentucky	X				3	6	0	2.1	4.2	X
Louisiana	X				5	7	.1	1.8	2.7	
Maine	X				4	15	.5	2.4	2.7	X
Maryland		X			6	9	.2	2.4	2.7	
Massachusetts	X				2	11	.5	2.5	2.7	
Michigan	X				3	14	0	2.5	4.0	X
Minnesota		X			3	13	.1	2.5	3.0	X
Mississippi				Quarterly	4	6	.6	2.3	2.7	
Missouri	X				3	12	0	2.0	3.6	X
Montana				Annual ¹¹	1	11	.5	2.5	2.7	X
Nebraska ¹²	X				1	8	.1	2.5	2.7	X
Nevada ¹²	X				1	9	.1	2.4	2.7	
New Hampshire	X				2	8	.5	2.5	2.7	
New Jersey	X				5	8	.3	2.4	3.6	X
New Mexico	X				2	9	.1	2.4	2.7	
New York	X			Annual and quarterly ¹¹	8	18	0	2.3	3.2	X
North Carolina	X				8	15	.1	2.5	3.7	X
North Dakota	X				7	12	.3	2.5	3.7	X
Ohio	X				5	11	.1	2.0	3.2	X
Oklahoma			X		14	13	.2	2.6	2.7	
Oregon	X				1	4	1.2	2.3	2.7	X
Pennsylvania		X			(5)	26	.1	2.6	4.0	X
Rhode Island	X				1	27	0	2.6	2.7	
South Carolina	X				4	7	.25	2.35	2.7	X
South Dakota ¹¹	X				1	6	0	2.5	2.7	X
Tennessee	X				4	8	.5	2.4	3.0	
Texas			X		(12)	26	.1	2.6	2.7	
Utah				Annual and quarterly ¹¹	(12)	(14)	(14)	(14)	2.7	
Vermont		X			4	7	.2	2.3	2.7	
Virginia			X		3	11	.1	2.5	2.7	
Washington				Annual	(14)	(13)	(16)	(14)	2.7	
West Virginia	X				13	6	0	1.1	2.7	X
Wisconsin	X				4	8	0	2.5	4.0	X
Wyoming		X			4	10	0	2.4	2.7	X

¹ Excludes Alaska which has no experience-rating provision. Figures given apply to employers with 3 or more years of experience. See tables 8-15 for more detailed analysis of experience-rating provisions.

² 1 to 4 rate schedules specified but many schedules of different requirements for specified rates, applicable with different "State experience factors."

³ Laws include one basic schedule with nine reduced rates in Arizona and 14 in Kansas, and one schedule with five reduced rates in Arizona applicable when the fund reserve ratio is within a specified range. Individual employers' rates are to be adjusted up or down to produce average rates of 1.8, 1.5, 1.25, 1.0, and 0.8 in Arizona and 1.6, 1.4, 1.2, 1.0, 0.8, 0.6, and 0.4 in Kansas when fund is within specified reserve-ratio brackets; hence number of schedules is in practice indeterminate.

⁴ Voluntary contributions limited to amount of benefits charged during preceding calendar year (Arkansas) and during the experience period (Wyoming); reduction in rate because of voluntary contributions limited to 0.5 percent (Kansas) and to 1 step (Oregon); voluntary contributions limited to employers with minus account balances (Montana).

⁵ Compensable-separations formula. See text for details.

⁶ Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by \$500,000 (Connecticut); by transferring, at the (Footnotes continued on page 23.)

year and the lag between these two periods, which determine how soon a new employer may be charged for benefits; (3) the type of formula used for rate determinations; and (4) the length of the period between the date as of which rate computations are made and the effective date for rates.

Types of Formulas for Experience Rating

Under the general Federal requirements, the experience-rating provisions of State laws vary greatly, and the number of variations increases with each legislative year. The most significant variations grow out of differences in the formulas used for rate determinations. The factor used to measure experience with unemployment is the basic variable which makes it possible to establish the relative incidence of unemployment among the workers of different employers. Differences in such experience represent the major justification for differences in tax rates, either to provide an incentive for stabilization of employment or to allocate the cost of unemployment. At present there are five distinct systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage-ratio, compensable-separations, and payroll-decline formulas. A few States have combinations of the systems.

In spite of significant differences, all systems have certain common characteristics. All formulas are devised to establish the relative experience of individual employers with unemployment or with benefit costs. To this end, all have factors for measuring each employer's experience with unemployment or benefit expenditures, and all compare this experience with a measure of exposure—usually payrolls—to establish the relative experience of large and small employers. However, the five systems differ greatly in the construction of the formulas, in the factors used to measure experi-

(Footnotes for Table 7.)

close of any year, a specified amount of the solvency account in excess of \$20 million to the accounts of employers who have paid emergency contributions (Michigan); and by allowing a credit of 20 and 40 percent of last year's contributions when fund equals or exceeds 7 and 7.25 percent of average taxable payrolls in the last 3 years (Virginia).

⁷ Rate reduction requirement of specified State credit balance suspended for 1960 and 1961, and additional 1.5 percent contribution required of all rated employers until second quarter, 1961.

⁸ One rate schedule but individual employer rates adjusted up or down depending on three different factors in Florida and Pennsylvania. See text for details.

⁹ Additional tax of 0.5 and 1.0 percent when the State fund reaches specified levels (Maryland); of 0.1 to 0.5 percent when the negative adjusted balance of the solvency account reaches specified levels (Michigan); of 0.2 to 1.0 percent in five steps when the general account reaches specified levels (New York); of 0.1 to 0.6 percent beginning in 1962 when the solvency account percentage reaches specified levels (Rhode Island).

¹⁰ Beginning with 3.0 percent, maximum rate increases 0.3 percent per year from 1959 up to a maximum of 4.5 percent in 1964 and thereafter, 3.6 percent (Missouri). Maximum rate increasing to 3.3 percent July 1, 1960, 3.5 percent July 1, 1961, and 4.0 percent July 1, 1962 (Tennessee). 2.7 percent rate in effect until 1962 (Rhode Island).

¹¹ Formula includes duration of liability (Montana, New York, and Utah) and ratio of benefits to contributions (Montana). New York counted in 2 columns.

¹² Rates set by rule in accordance with authorization in law; in South Dakota with specified limitations.

¹³ Indefinite number of schedules; each employer's rate is reduced by 0.1 percent for each \$5 million in excess of \$200 million which represents 8 percent of taxable wages but no employer pays less than 0.1 percent or more than 2.7 percent.

¹⁴ No rate schedules in law; rates determined by distribution of surplus, in specified proportions, to employers in the first 9 of the 10 experience classes set forth in law.

¹⁵ No rate classes. Contributions are reduced by credit certificates. If the credit certificates equals or exceeds an employer's contribution for the next year, he has, in effect, a zero rate.

¹⁶ Limited to 3.0 percent in an employer's fourth year of liability.

Table 8.—Computation date, effective date for new rates, and minimum period of experience required under State experience-rating provisions

State	Computation date	Effective date for new rates	Minimum period of experience required for newly covered employers		
			At least 3 years	Less than 3 years	
				Period ¹	Effective date
Alabama.....	Dec. 31 ²	Apr. 1 ³	-----	1 year.....	July 1, 1955
Arizona.....	July 1 ²	Jan. 1 ⁴	X	-----	-----
Arkansas.....	Dec. 31	Apr. 1	-----	1 year.....	Apr. 1, 1955
California.....	June 30	Jan. 1	X	-----	-----
Colorado.....	July 1	Jan. 1	-----	24 months ²	Jan. 1, 1959
Connecticut.....	June 30	Jan. 1	-----	1 year ¹	Jan. 1, 1956
Delaware.....	Oct. 1	Jan. 1	-----	33 months.....	Jan. 1, 1956
District of Columbia.....	June 30	Jan. 1	X	-----	-----
Florida.....	Dec. 31	Jan. 1	X	-----	-----
Georgia.....	June 30 ²	Jan. 1 ²	-----	1 year.....	Jan. 1, 1955
Hawaii.....	Dec. 31	Jan. 1	-----	1 year.....	Jan. 1, 1956
Idaho.....	June 30	Jan. 1	-----	2½ years ¹	Jan. 1, 1956
Illinois.....	June 30	Jan. 1	-----	3 years ¹	Jan. 1, 1956
Indiana.....	June 30	Jan. 1	-----	36 months ¹	Jan. 1, 1956
Iowa.....	Oct. 1	Jan. 1	X	-----	-----
Kansas.....	June 30	Jan. 1	-----	1 year.....	Jan. 1, 1956
Kentucky.....	Dec. 31	Jan. 1	X	-----	-----
Louisiana.....	June 30	Jan. 1	X	-----	-----
Maine.....	Dec. 31	July 1	X	-----	-----
Maryland.....	Mar. 31	July 1	X	-----	-----
Massachusetts.....	Sept. 30	Jan. 1	-----	1 year.....	Jan. 1, 1957
Michigan.....	June 30 ²	Jan. 1	-----	2 years ¹	Jan. 1, 1958
Minnesota.....	July 1	Jan. 1	-----	1 year.....	Jan. 1, 1956
Mississippi.....	June 30	Jan. 1	-----	1 year ⁴	Jan. 1, 1959
Missouri.....	June 30	Jan. 1	X	-----	-----
Montana.....	June 30	Jan. 1	X	-----	-----
Nebraska.....	Dec. 31	Jan. 1	-----	1 year ¹	Jan. 1, 1956
Nevada.....	June 30	Jan. 1	-----	2½ years.....	Jan. 1, 1960
New Hampshire.....	Dec. 31	July 1	-----	1 year.....	July 1, 1955
New Jersey.....	Dec. 31	July 1	X	-----	-----
New Mexico.....	June 30	Jan. 1	X	-----	-----
New York.....	July 1	Jan. 1	-----	1 year.....	Jan. 1, 1957
North Carolina.....	Aug. 1	Jan. 1	-----	1 year.....	Jan. 1, 1955
North Dakota.....	Dec. 31	Jan. 1	-----	1 year.....	Jan. 1, 1956
Ohio.....	July 1	Jan. 1	X	-----	-----
Oklahoma.....	Dec. 31	Jan. 1	-----	1 year.....	Jan. 1, 1955
Oregon.....	June 30	Jan. 1	-----	1 year.....	Jan. 1, 1956
Pennsylvania.....	June 30	Jan. 1	-----	18 months ¹	Jan. 1, 1956
Rhode Island.....	Sept. 30	Jan. 1	X	-----	-----
South Carolina.....	July 1 ²	Jan. 1 ³	-----	2 years ¹	July 1, 1955
South Dakota.....	Dec. 31	Jan. 1	X	-----	-----
Tennessee.....	Dec. 31	July 1	X	-----	-----
Texas.....	Oct. 1 ²	Jan. 1 ²	-----	1 year.....	Jan. 1, 1956
Utah.....	Jan. 1	Jan. 1	X	-----	-----
Vermont.....	Dec. 31	Jan. 1	-----	1 year.....	Jan. 1, 1955
Virginia.....	Dec. 31	Jan. 1	-----	1 year.....	Jan. 1, 1956
Washington.....	Jan. 1	June 30	-----	2 years ¹	July 1, 1954
West Virginia.....	June 30	Jan. 1	X	-----	-----
Wisconsin.....	Dec. 31	Jan. 1	-----	2 years ¹	Jan. 1, 1956
Wyoming.....	June 30	Jan. 1	X	-----	-----

¹ Period specified is period of chargeability except as indicated, subjectivity (Connecticut, Indiana, and Michigan); in which contributions are payable (Idaho, Illinois, Pennsylvania, and Washington); 1 year of chargeability and contributions payable in the 2 preceding calendar years (Nebraska); coverage (South Carolina); 2 years of chargeability and contributions payable in 3 calendar years (Wisconsin).

² For employers who first qualify between computation and effective dates, computation date is December 31 (Michigan); for newly qualified employers, computation date is end of quarter in which they meet experience requirements and effective date is beginning of next quarter (Alabama, Arizona, Georgia, South Carolina, and Texas).

³ If an employer becomes subject the first half of year or 18 months if he becomes subject the second half of year.

⁴ To establish eligibility, employing unit need not have been covered if records of payrolls for the entire period are produced at time of coverage.

ence and the methods of measurement, in the number of years over which the experience is recorded, in the presence or absence of other factors, and in the relative weight given the various factors in the final assignment of rates.

Reserve-ratio formula.—The reserve ratio was the earliest of the experience-rating formulas and continues to be the most popular. It is now used in 33 States (table 7). Regardless of the type of fund, the formulas are the same. The system is essentially cost accounting. On each employer's record are entered the amount of his payroll, his contributions, and the benefits paid to his workers. The benefits are subtracted from the contributions, and the resulting balance is divided by the payroll to determine the size of the balance in terms of the potential liability for benefits inherent in wage payments. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer's total contributions and the total benefits received by his workers since the law became effective. In the District of Columbia, Idaho, and Louisiana, contributions and benefits are limited to those since a certain date in 1939, 1940, or 1941, and in Rhode Island they are limited to those since October 1, 1958. In Missouri they may be limited to the last 5 years if that works to an employer's advantage. Michigan excludes the year 1938 and a specified portion of benefits for the year ended September 30, 1946 (table 9).

The payroll used to measure the reserves is ordinarily the last 3 years but Massachusetts, Michigan, New York, South Carolina, and Tennessee figure reserves on the last year's payrolls only. Idaho, Nebraska, and South Dakota use 4 years. Arkansas gives the employer the advantage of the lesser of the average 3- or 5-year payroll, or, at his option, the last year's payroll. Rhode Island uses the last year's payroll or the average of the last 3 years, whichever is lesser. New Jersey protects the fund by using the higher of the average 3- or 5-year payroll, and Wisconsin the higher of last year's payroll or 20 percent of his payroll for the preceding year. As indicated in table 9, adjustments in the payroll factor used for employers with from 1 to 3 years of experience have been made in a number of States.

The employer must accumulate and maintain a specified reserve before his rate is reduced; then rates are assigned according to a schedule of rates for specified ranges of reserve ratios; the higher the ratio, the lower the rate (tables 14 and 15). The formula is designed to make sure that no employer will be granted a rate reduction unless over the years he contributes more to the fund than his workers draw in benefits. As the funds available for benefits have increased, the rates for a given reserve have been decreased, but in 23 of the 33 States (tables 7, 12, and 13) provision has been

Table 9.—Years of benefits, contributions, and payrolls used in experience-rating formula, by type of formula¹

State	Employer with at least 3 years' experience		Adjustment to equalize rates for employers with less than 3 years' experience ²		
	Years of benefits used ^{3,4}	Years of payrolls used	Experience ratio	Payroll	Automatic
Reserve-ratio formula ⁵					
Arizona.....	All past years.....	Average 3 years.....			
Arkansas ⁶	All past years.....	Average last 3 or 5 years ⁷	X		
California.....	All past years.....	Average 3 years.....			
Colorado.....	All past years.....	Average 3 fiscal years ⁸			
Dist. of Columbia.....	All since July 1, 1939.....	Average 3 years.....			
Georgia.....	All past years.....	Average 3 years.....		X	
Hawaii.....	All past years.....	Average 3 years.....		X	
Idaho.....	All since Jan. 1, 1940.....	Average 4 fiscal years ⁹			
Indiana.....	All past years.....	Aggregate 3 years.....			X
Iowa.....	All past years.....	Average 3 years.....			
Kansas.....	All past years.....	Average 3 years ⁸			
Kentucky.....	All past years.....	Aggregate 3 years.....			
Louisiana.....	All since Oct. 1, 1941.....	Average 3 years.....			
Maine.....	All past years.....	Average 3 years.....			
Massachusetts.....	All past years.....	Last year.....			
Michigan.....	All past years ²	Last year.....			
Missouri.....	All past years ⁷	Average 3 years.....			
Nebraska.....	All past years.....	Average 4 years ¹			
Nevada.....	All past years.....	Average 3 years ¹			
New Hampshire.....	All past years.....	Average 3 years ⁸			
New Jersey.....	All past years.....	Average last 3 or 5 years ⁷			
New Mexico.....	All past years.....	Average 3 years.....			
New York.....	All past years.....	Last year.....			
North Carolina.....	All past years.....	Aggregate 3 years.....			X
North Dakota.....	All past years.....	Average 3 years.....	X		
Ohio.....	All past years.....	Average 3 years.....		X	
Oregon.....	All past years.....	Average 3 years.....			
Rhode Island.....	All since Oct. 1, 1958.....	Last year or average 3 years ⁷			
South Carolina.....	All past years.....	Last year.....			
South Dakota.....	All past years.....	Aggregate 4 years.....			
Tennessee.....	All past years.....	Last year.....			
West Virginia.....	All past years.....	Average 3 years.....			
Wisconsin.....	All past years.....	Last year or 20 percent of next preceding year. ⁷			
Benefit-contribution-ratio formula ⁶					
Montana.....	Last 3 years.....				
Benefit-ratio formula					
Florida.....	Last 3 years.....	Last 3 years.....			
Maryland.....	Last 3 years.....	Last 3 years.....			
Minnesota.....	Last 3 years.....	Last 3 years.....			X
Pennsylvania.....	Average 3 years.....	Average 3 years ⁸			
Vermont.....	Last 3 years ¹	Last 3 years ¹			X
Wyoming.....	Last 3 years.....	Last 3 years.....			
Benefit-wage-ratio formula					
Alabama.....	Last 3 years.....	Last 3 years.....			X
Delaware.....	Last 3 years.....	Last 3 years.....			X
Illinois.....	Last 3 years ¹	Last 3 years ¹			X
Oklahoma.....	Last 3 years.....	Last 3 years.....			X
Texas.....	Last 3 years.....	Last 3 years.....			X
Virginia.....	Last 3 years.....	Last 3 years.....			X
Compensable-separation formula					
Connecticut.....	Last 3 years.....	Aggregate 3 years.....			X
Payroll-declines formula ⁴					
Mississippi.....		Last 1-3 years ⁴	X		
Utah.....		Last 3 years.....			
Washington.....		Last 3 years.....	X		

(Footnotes on page 27.)

made for one or more additional schedules of higher rates should the State funds decrease.

Benefit-ratio formula.—The benefit-ratio formula also uses benefits as the measure of experience but eliminates contributions from the formula and relates benefits directly to payrolls. It is used in 6 States (table 7). The ratio of benefits to payrolls is the index for rate variation. The theory is that, if each employer pays a rate which approximates his benefit ratio, the program will be adequately financed. In 4 of the 6 States rates are further varied by the inclusion in these formulas of 3 or more schedules, effective at specified levels of the State fund in terms of dollar amounts or a proportion of payrolls. In Florida an employer's benefit ratio becomes his contribution rate after it has been adjusted by three factors: noncharge benefits, excess payments, and balance of fund. The first 2 of these factors are added to each employer's benefit ratio and the third is either added or deducted, depending on the fund balance. In Pennsylvania rates are determined on the basis of three factors: funding, experience, and State adjustment.

Unlike the reserve ratio, the benefit-ratio system is geared to short-term experience. Only the benefits paid in the most recent 3 years are used in the determination of the benefit ratios (table 9). Adjustment for newly subject employers is automatic under this formula. Benefits paid in the most recent 1 or 2 years are related to payrolls for the same period (table 9).

Benefit-wage-ratio formula.—The benefit-wage formula, in use in six States, is radically different. It makes no attempt to measure all benefits paid to the workers of individual employers. The relative experience of employers is measured by the separations of workers which result in benefit payments, but the duration of their benefits is not a factor. The separations, weighted with the wages earned by the workers with each base-period employer, are recorded on each employer's experience-rating record as "benefit wages." Only one separation per beneficiary per benefit year is recorded for any one employer but the charging of any benefit wages has been postponed until benefits have been paid in the State specified: in

(Footnotes for Table 9.)

¹ Rate of an employer qualifying on less than 3 years of experience is based on all past years of benefits and payrolls except in Illinois and Vermont, where the experience ratio is based on charges to his record and payrolls during the 12 or 24 consecutive calendar months immediately preceding the computation date.

² In States for which an entry is shown, opportunity for reduced rates is equalized, in whole or in part, between employers whose rates are based on less than 3 years of experience and those who have completed 3 such years. See text, page 21.

³ Years of contribution used same as years of benefits used in reserve ratio States. Michigan excludes 1938 and a specified portion of benefits for the year ended Sept. 30, 1946.

⁴ Years are calendar years in Maryland, and in other States if computation date is December 31, otherwise 12 months preceding computation date.

⁵ Counting New York with reserve ratio and Montana with benefit-contribution ratio rather than payroll declines.

⁶ Employers with at least 3 years of chargeability may elect to be rated each year on the basis of total wages paid during the preceding calendar year as are employers with 1 or 2 years of chargeability.

⁷ Whichever is lesser (Arkansas and Rhode Island); whichever is higher (New Jersey and Wisconsin); or past 5 years, whichever is to employer's advantage (Missouri). An employer with 3 or more years' experience may elect to be rated on total wages during the preceding year (Arkansas).

⁸ Average based on fewer years of payrolls for employers qualifying on less than 3 years of experience.

⁹ 1 year for new employers increasing to 3 years for employers who have had 3 years or more of experience.

Alabama and Oklahoma, until payment is made for the second week of unemployment; in Illinois and Virginia, until the benefits paid equal three times the weekly benefit amount. The index which is used to establish the relative experience of employers is the proportion of each employer's payroll which is paid to those of his workers who become unemployed and receive benefits, i.e., the ratio of his "benefit wages" to his total taxable wages. As under the benefit-ratio formula, adjustment for newly subject employers is automatic under the benefit-wage-ratio formula. The ratio of an employer's "benefit wages" to his total taxable payroll can be computed for 1, 2, or 3 years.

The formula is designed to assess variable rates which will raise the equivalent of the total amount paid out as benefits. The percentage relationship between total benefit payments and total benefit wages in the State during 3 years is determined. This ratio, known as the "State experience factor," means that, on the average, the workers who drew benefits received a certain amount of benefits for each dollar of benefit wages paid and the same amount of taxes per dollar of benefit wages is needed to replenish the fund. The total amount to be raised is distributed among employers in accordance with their benefit-wage ratios; the higher the ratio, the higher the rate.

Individual employers' rates are determined by multiplying the employer's experience factor by the State experience factor. The multiplication is facilitated by a table which assigns rates which are the same as, or slightly more than, the product of the employer's benefit-wage ratio and the State factor. The range of the rates is, however, limited by a minimum and maximum. The minimum and the rounding upward of some rates tend to increase the amount which would be raised if the plan were effected without the table; the maximum, however, decreases the income from employers who would otherwise have paid higher rates.

Compensable-separations formula.—Like the States with benefit-wage formulas, Connecticut uses compensable separations as a measure of employers' experience with unemployment. A worker's separation is weighted by his weekly benefit amount, and that amount is entered on the employer's experience-rating record. The employer's aggregate payroll for 3 years is then divided by the sum of the entries over the 3 years to establish his index. For newly subject employers the payroll and entries for the period of subjectivity are used to establish the "merit-rating index." Rates are assigned on the basis of an array of payrolls in the order of the indexes, the lowest rates to those with the highest indexes. Six different schedules are provided, depending on the ratio of the fund to the 3-year payroll (1.25 to 4.25 percent) and a further reduction

of rates is provided if the balance in the fund exceeds 4.25 percent of the last 3 years' payrolls and the last year's contributions plus interest credited exceed the benefits for the same period by at least \$500,000. The excess is distributed to all employers who qualify for a rate reduction, in proportion to their last year's payrolls, in the form of credit memoranda applicable on next year's contributions.

Payroll variation plan.—The payroll variation plan, used separately or in combination with other factors, is independent of benefit payments to individual workers; neither benefits nor any benefit derivatives are used to measure unemployment. An employer's experience with unemployment is measured by the decline in his payrolls from year to year or from quarter to quarter. The declines are expressed as a percentage of payrolls so that experience of employers with large and small payrolls may be compared. If an employer's payroll shows no decrease or only a small percentage decrease over a given period, he will be eligible for the largest proportional reductions. Washington measures the last 2 years' annual payrolls for newly subject employers and adjusts the percentage of decrease required for each six credit classes; for other employers, the last 3 years' annual payrolls are used on the theory that over a period of time the greatest drains on the fund result from declines in general business activity. Mississippi measures the stability of payrolls from quarter to quarter over a 1–3-year period; the changes reflect not only changes in general business activity but also seasonal or irregular declines in employment.

Utah measures the stability of both annual and quarterly payrolls and, as a third factor, the duration of liability for contributions, commonly called the "age" factor. Employers are given additional points if they have paid contributions over a period of years because of the unemployment which may result from the high business mortality which often characterizes new businesses. Montana also has three factors: annual declines, age, and a ratio of benefits to contributions; no reduced rate is allowed to an employer whose last 3-year benefit payments have exceeded his contributions. New York has four factors: reserve ratio, quarterly payroll declines, annual payroll declines, and age of business. Three of the four factors (reserve ratio, quarterly payroll declines, and annual payroll declines) are adjusted to equalize rates for employers with less than 3 years' experience. The reserve ratio is the principal determinant of rates since it accounts for 0–16 points and the other three factors for 0–2 points each. Eight schedules of rates are effective when the fund is at specified levels.

The payroll variation plans use a variety of methods for reducing rates. Mississippi has four alternative rate schedules, depending on

the reserve ratio of the State fund. Montana classifies employers in 12 classes and assigns rates designed to yield 1.2 percent of payrolls. Washington determines the surplus reserves as specified in the law² and distributes the surplus in the form of credit certificates applicable to the employer's next year's tax. No surplus is distributed unless it amounts to 10 percent of last year's contributions. The amount of each employer's credit depends on the points assigned him on the basis of his experience with annual payroll declines and his taxable payrolls. These credit certificates reduce the amount rather than the rate of his tax; their influence on the rate depends on the amount of his next year's payrolls.

In Utah employers are grouped in 10 classes according to their combined experience factors, and the surplus is assigned to the first nine classes by specified weights, multiplied by the taxable wages of each group of employers. The surplus assigned to the class is subtracted from 2.7 percent of the taxable wages of the class, and the contribution balance for the class is translated into a contribution rate for each class.

Transfer of Employers' Experience

Because of Federal requirements, no employer can be granted a reduced rate unless the agency has at least a 1-year record of his experience with the factors used to measure unemployment. Without such a record there would be no basis for rate determination. For this reason all State laws specify the conditions under which the experience record of a predecessor employer may be transferred to an employer who, through purchase or otherwise, acquires the predecessor's business. In 12 States (table 10) the authorization for transfer of the record is limited to total transfers, i.e., the record may be transferred only if a single successor employer acquires the predecessor's organization, trade, or business and substantially all its assets. In the other 38 States the provisions authorize partial as well as total transfers; in these States, if only a portion of a business is acquired by any one successor, that part of the predecessor's record which pertains to the acquired portion of the business may be transferred to the successor.

In 33 States the transfer of the record in cases of total transfer automatically follows whenever all or substantially all of a business is transferred. In 17 States the transfer is not made unless the employers concerned request it. Of the 38 States providing for partial transfers, 13 make the partial transfer mandatory and 25, optional. Thirteen of these latter 25 combine mandatory total transfers with optional partial transfers.

² See table 12, footnote 11.

Table 10.—Transfer of experience for employer rates, 50 States ¹

State	Total transfers		Partial transfers		Enter- prise must be continued (25 States)	Rate for successor who was employer ²	
	Manda- tory (33 States)	Optional (17 States)	Manda- tory (13 States)	Optional (25 States)		Previous rate con- tinued (23 States)	Based on combined experience (21 States)
Alabama.....	X		X		X	X	X
Arizona.....	X			X	X	X	
Arkansas.....	X			X	X	X	
California ³		X		X	X		X
Colorado.....	X			X		X	
Connecticut.....		X					X
Delaware.....		X			X		X
District of Columbia ⁴	X		X			X	
Florida.....	X			X	X	X	
Georgia.....	X			X	X		X
Hawaii.....		X				X	
Idaho.....		X		X	X		X
Illinois.....	X			X		X	
Indiana.....	X			X	X	X	
Iowa.....	X			X	X		X
Kansas.....	X			X	X	X	
Kentucky.....	X		X			X	
Louisiana.....	X		X			X	
Maine.....	X						X
Maryland.....	X		X			X	
Massachusetts.....	X		X		X		X
Michigan ⁵	X		X		X	X	
Minnesota ⁶		X		X	X		X
Mississippi.....		X		X		X	
Missouri.....	X		X		X		X
Montana.....	X		X			X	
Nebraska.....	X			X			X
Nevada.....		X		X			X
New Hampshire.....	X			X	X		X
New Jersey ⁷	X			X	X	X	
New Mexico ⁸	X			X		X	
New York.....	X		X	X	X		X
North Carolina.....		X		X	X	X	
North Dakota.....		X		X	X	X	
Ohio.....		X		X	X	X	
Oklahoma.....	X			X	X		X
Oregon.....	X			X		X	
Pennsylvania.....		X			X	X	
Rhode Island.....		X		X		X	
South Carolina.....	X			X	X		X
South Dakota.....		X					X
Tennessee.....		X		X			X
Texas.....		X		X	X	X	
Utah.....	X		X			X	
Vermont.....	X			X			X
Virginia.....		X		X		X	
Washington.....	X		X			(10)	(10)
West Virginia.....	X					X	
Wisconsin.....	X		X		X		X
Wyoming.....	X					X	

¹ Excluding Alaska which has no experience rating provision.² Rate for remainder of rate year for a successor who was an employer prior to the acquisition.³ No transfer may be made if it is determined that acquisition was made solely for purpose of qualifying for a reduced rate (California and Nevada); if purpose was to avoid rate higher than 2.7 percent (Minnesota); if successor is not a liable employer and does not elect coverage or if total wages allocable to transferred property are less than \$10,000 (Michigan) or less than 25 percent of predecessor's total (District of Columbia); if transfer would be inequitable (Minnesota and New Mexico); unless agency finds employment experience of the enterprise transferred may be considered indicative of the future employment experience of the successor (New Jersey).⁴ Transfer is limited to one in which there is reasonable continuity of ownership and management.⁵ Partial transfers are limited to transfers of separate establishments for which separate payrolls have been maintained.⁶ Optional (by regulation) if successor was not an employer.⁷ Successor may reject transfer within 4 months.⁸ By regulation.⁹ A rated (qualified) employer pays at previously assigned rate; an unrated but subject employer pays at a rate based on combined experience.¹⁰ Not applicable. All employers pay rate of 2.7 percent; qualified employers receive credit against contributions due for employment in remainder of year in lieu of reduced rates.

Under most of the laws, transfers are made whether the acquisition is the result of reorganization, purchase, inheritance, receivership, or any other cause. Delaware, however, permits transfer of the experience record to a successor only when there is reasonable continuity of ownership and management.

Some States condition the transfer of the record on what happens to the business after it is acquired by the successor. For example, in 25 States there can be no transfer if the enterprise acquired is not continued (table 10); in 4 of these States (District of Columbia, Massachusetts, New York, and Wisconsin) the successor must employ substantially the same workers. In 18 States³ transfer of the experience record is conditioned upon the successor's assumption of liability for the predecessor's unpaid contributions.

Most States establish by statute or regulation the rate to be assigned the successor employer from the date of the transfer to the end of the rate year in which the transfer occurs. The rate assignments vary with the status of the successor employer prior to his acquisition of the predecessor's business. Twenty-eight States provide that an employer who has a rate based on his own experience with unemployment may continue to pay that rate; 21 others, that he be assigned a new rate based on his own record combined with the acquired record (table 10).

Differences in Charging Methods

Various methods are used to identify the employer who will be charged with benefits when a worker becomes unemployed and draws benefits. Except in the case of very temporary or partial unemployment, compensated unemployment occurs after a worker-employer relationship has been broken. Therefore, the laws indicate in some detail which one or more of a claimant's former employers should be charged with his benefits. In the reserve-ratio and benefit-ratio States it is the claimant's benefits which are charged; in the benefit-wage States, the benefit wages; in the compensable-separation State, the weekly benefit amount of separated employees. There is, of course, no charging of benefits in the payroll-decline systems.

In most States the maximum amount of benefits to be charged for any claimant is the maximum amount for which he is eligible under the State law. In Arkansas an employer who willfully submits false information on a benefit claim to evade charges is penalized by charging his account with twice the claimant's maximum potential benefits.

³ Arkansas, District of Columbia, Florida, Idaho, Indiana, Iowa, Kentucky, Michigan, Missouri, Nebraska, New Hampshire, New Mexico, New York, Ohio, Oklahoma, South Carolina, West Virginia, and Wisconsin.

In the States with benefit-wage-ratio formulas the maximum amount of benefit wages charged is usually the amount of wages required for maximum annual benefits; in Alabama and Delaware, the maximum taxable wages. In Texas benefit wages charged for any one claimant are limited to \$2,688; in cases where base-period wages exceed \$2,688, \$2,688 is distributed among base-period employers in proportion to total wages.

Charging most recent employers.—In four States (Maine, New Hampshire, South Carolina, and West Virginia) with a reserve-ratio system, Vermont with a benefit-ratio, Virginia with a benefit-wage-ratio, Montana with a benefit-contributions-ratio, and Connecticut with a compensable-separation system, the most recent employer gets all the charges on the theory that he has primary responsibility for the unemployment.

All the States which charge all benefits to the last employer relieve, of these charges, an employer who gave a worker only casual or short-time employment. Maine limits charges to a claimant's most recent employer who employed him for more than 5 consecutive weeks; New Hampshire, more than 4 weeks; Virginia, more than 30 days; and Montana and West Virginia, at least 3 weeks. South Carolina omits charges to employers who paid a claimant less than eight times his weekly benefit and Vermont, less than \$175.

Connecticut charges the one or two most recent employers who employed a claimant 4 weeks or more in the 8 weeks prior to separation.

Charging base-period employers in inverse chronological order.—Fourteen States limit charges to base-period employers but charge them in inverse order of employment (table 11). This method combines the theory that liability for benefits results from wage payments with the theory of employer responsibility for unemployment; responsibility for the unemployment is assumed to lessen with time, and the more remote the employment from the period of compensable unemployment, the less the probability of an employer's being charged. A maximum limit is placed on the amount that may be charged any one employer; when the limit is reached, the next previous employer is charged. The limit is usually fixed as a fraction of the wages paid by the employer or as a specified amount in the base period or in the quarter, or as a combination of the two. Usually the limit is the same as the limit on the duration of benefits in terms of quarterly or base-period wages (see page 78).

In Michigan, New Jersey, New York, Rhode Island, and Wisconsin the amount of the charges against any one employer is limited by the extent of the claimant's employment with that employer, i.e., the number of "credit weeks" he had earned with that employer.

Table 11.—Employers charged and benefits excluded from charging, 47 States which charge benefits or benefit derivatives

State	Employers charged			Benefits excluded from charging				
	All base-period employers proportionately (23 States)	Base-period employers in inverse order of employment up to amount specified (14 States)	All charges to one employer specified (10 States)	Benefit award finally reversed (35 States)	Reimbursements under interstate wage combining plan (26 States)	Major disqualification involved		
						Voluntary leaving (37 States)	Discharge for misconduct (36 States)	Refusal of suitable work (9 States)
Alabama ¹	X			X	X	X	¹ X	
Arizona	X			X	X	¹ X	X	
Arkansas		$\frac{1}{2}$ base-period wages.			X	X	X	
California	X			X		X	X	
Colorado		$\frac{1}{2}$ wages up to $\frac{1}{4}$ of $32\frac{1}{2}$ x current wba.		X	X	X	X	
Connecticut			1 or 2 most recent. ¹			X	X	X
Delaware ¹	X				X	X	X	
District of Columbia	X				X			
Florida	¹ X			X		X	X	¹ X
Georgia	X			X	X	X	X	¹ X
Hawaii	X			X	X	X	X	
Idaho			Principal ¹	X	X	X	X	
Illinois ¹	X			X	X			
Indiana		$\frac{1}{4}$ wages up to \$237.50 per quarter.		X				
Iowa		$\frac{1}{4}$ wages up to \$200 per quarter.		X	X			
Kansas	X				X	X	X	
Kentucky	X			X		X	X	
Louisiana	X							
Maine			Most recent ¹	X		X	X	¹ X
Maryland	(¹)		Principal ¹	X	X	X	X	
Massachusetts		34 percent of base-period wages.				X	¹ X	
Michigan		$\frac{3}{4}$ credit weeks up to 39.		X	X			
Minnesota	¹ X			X	X	¹ X	X	¹ X
Missouri		$\frac{1}{4}$ wages up to \$286 per quarter. ¹		X	X	¹ X	X	X
Montana			Most recent ¹	X		¹ X	X	
Nebraska		$\frac{1}{2}$ base-period wages.		X		X	X	
Nevada	X				X	X	X	
New Hampshire			Most recent ¹	X	¹ X	¹ X	X	
New Jersey		$\frac{1}{4}$ base weeks up to 35. ¹		X	X			
New Mexico	X			X		X	X	
New York		Credit weeks up to 26.						
North Carolina	X			X	¹ X	X	X	
North Dakota	X			X		X	X	
Ohio		All base-period wages.		X	X			
Oklahoma ¹	X			X	¹ X	X	X	
Oregon	X				X	X	X	
Pennsylvania	X				X	X	X	
Rhode Island		$\frac{3}{4}$ credit weeks up to 42.		X	X	X	X	
South Carolina			Most recent ¹	X	X	X	X	X
South Dakota		In proportion to base-period wages paid by employer.		X		¹ X	X	
Tennessee	X			X		X	X	
Texas ¹	X			X		X	X	
Vermont			Most recent ¹	X		X	X	X
Virginia ¹			Most recent ¹	X				
West Virginia			Most recent ¹	X		X	X	X
Wisconsin		$\frac{1}{10}$ credit weeks up to 38.		X		X		
Wyoming	X			X	X	X	X	

¹ State has benefit-wage-ratio formula, except in Texas benefit wages are not charged for claimants whose compensable unemployment is of short duration (see page 27).

² Omission of charge is limited to aggravated misconduct (Alabama) and to refusal of reemployment in suitable work (Florida, Georgia, Maine, and Minnesota).

(Footnotes continued on page 35.)

In New York if a claimant had 26 or more weeks of employment with his most recent employer within the past 52 weeks, no charge is made to any other employer; otherwise charges are made in inverse chronological order to all employers who gave him his last 26 weeks of employment. In Missouri most employers who employ claimants less than 3 weeks and pay them less than \$120 are skipped in the charging.

If a claimant's unemployment is short, or if the last employer in the base period employed him for a considerable part of the base period, this method of charging employers in inverse chronological order gives the same results as charging the last employer in the base period. If a claimant's unemployment is long, such charging gives much the same results as charging all base-period employers proportionately.

All the States which provide for charging in the inverse order of employment have determined, by regulation, the order of charging in case of simultaneous employment by two or more employers.

Charges in proportion to base-period wages.—On the theory that unemployment results from general conditions of the labor market more than from a given employer's separations, the largest number of States (23) charge benefits against all base-period employers in proportion to the wages earned by the beneficiary with each employer. These States include 14 with reserve-ratio formulas, 4 with benefit-ratio formulas, and 5 of the 6 States with a benefit-wage-ratio system.

Their charging methods assume that liability for benefits inheres in wage payments. So do those of the two States that charge all benefits to the principal employer. Idaho charges all benefits to the employer who paid a claimant the largest amount of base-period wages and Maryland, to an employer who paid the claimant 75 percent of his base-period wages; otherwise the charges are prorated proportionately among all base-period employers.

(Footnotes for Table 11.)

⁸ Charges are omitted also for claimants leaving for compelling personal reasons not attributable to employer and not warranting a disqualification (Arizona); for claimant convicted of a felony or misdemeanor (Massachusetts); if benefits are paid after separation because of pregnancy or marital obligations (Minnesota and South Dakota); for claimant leaving to accept a more remunerative job (Missouri), for claimant leaving most recent work to marry or move with husband and children (Montana), during an uninterrupted period of unemployment after childbirth (New Hampshire).

⁹ One or 2 employers who employed claimant in 4 or more calendar weeks in 8 weeks prior to any compensable separation. 90 to 15 percent of charges is canceled if employer rehires claimant after 1-6 weeks of benefits or claimant refuses offer of reemployment by employer charged.

¹⁰ Charges are omitted for employers who paid claimant less than \$20 (Florida); less than 8 times weekly benefit amount (South Carolina); less than \$175 (Vermont); or who employed claimant less than 3 weeks (Montana, by regulation); not more than 4 consecutive weeks (New Hampshire), 5 weeks (Maine), 30 days (Virginia), or at least 3 weeks unless there has been subsequent employment in noncovered work for 3 or more weeks (West Virginia); or who employed claimant less than 3 weeks and paid him less than \$120 (Missouri).

¹¹ Employer who paid largest amount of base-period wages (Idaho); 75 percent of base-period wages or benefits are charged proportionately to base-period employers (Maryland).

¹² An employer who paid 90 percent of a claimant's base-period wages in 1 base period is not charged for benefits based on earnings during the next 4 quarters unless he employed the claimant in some part of the third or fourth quarter following the base period. Charges omitted for employers who paid claimant less than the minimum qualifying wages.

¹³ Charges omitted if claimant is paid less than minimum qualifying wages (New Hampshire, North Carolina, and Oregon); and for benefits in excess of the amount payable under State law (New Hampshire and Oregon).

¹⁴ But not more than 50 percent of base-period wages if employer makes timely application.

In two of these States, employers who were responsible for a small amount of base-period wages are relieved of charges. In Florida an employer who paid a claimant less than \$20 in the base period is not charged and in Minnesota an employer who paid a claimant less than the minimum qualifying wages is not charged unless the employer, for the purpose of evading charges, separates employees for whom work is available.

In West Virginia benefits paid for partial unemployment are charged to the current employer, and in Alabama, Arizona, Hawaii, Iowa, Minnesota, and New York, an employer who employed a claimant part time in the base period and continues to give him substantially equal part-time employment is not charged for benefits.

Four States (Arkansas, Colorado, Maine, and North Carolina) have special provisions or regulations for identifying the employer to be charged in the case of benefits paid to seasonal workers; in general, seasonal employers are charged only with benefits paid for unemployment occurring during the season, and nonseasonal employers, with benefits paid for unemployment at other times.

Noncharging of Benefits

In many States there has been a tendency to recognize that the costs of benefits of certain types should not be charged to individual employers. This has resulted in "noncharging" provisions of various types in practically all State laws which base rates on benefits or benefit derivatives (table 11). In the States which charge benefits, certain benefits are omitted from charging as indicated below; in the States which charge benefit wages, certain wages are not counted as benefit wages. Such provisions are, of course, not applicable in the two States in which rate reductions are based solely on payroll decreases.

The omission of charges for benefits based on employment of short duration has already been mentioned (see pages 35 and 36 and footnote 5, table 11). The postponement of charges until a certain amount of benefits has been paid (page 28) results in noncharging of benefits for claimants whose unemployment was of very short duration. In 35 States, charges are omitted if benefits are paid on the basis of an early determination in an appealed case and the determination is eventually reversed. In 26 States, charges are omitted for reimbursements in cases of benefits paid under a reciprocal arrangement authorizing the combination of the individual's wage credits in two or more States, i.e., situations when the claimant would be ineligible in the State without the out-of-State wage credits. In 9* of the 12 States with dependents' allowances no dependents' allowances are charged to employers.

* Alaska, Connecticut, District of Columbia, Maryland, Massachusetts, Nevada, North Dakota, Rhode Island, and Wyoming.

Another type of omission of charges is for benefits paid following a period of disqualification for voluntary quit, misconduct, or refusal of suitable work or for benefits paid following a potentially disqualifying separation for which no disqualification was imposed, for example, because the claimant had good personal cause for leaving voluntarily, or because he got a job which lasted throughout the normal disqualification period and then was laid off for lack of work. The intent is to relieve the employer of charges for unemployment due to circumstances beyond his control, by means other than limiting good cause for voluntary leaving to good cause attributable to the employer, disqualification for the duration of the unemployment, or the cancellation of wage credits. The provisions vary with variations in the employer to be charged and with the disqualification provisions (see page 88), particularly as regards the cancellation and reduction of benefit rights. In this summary, no attempt is made here to distinguish between noncharging of benefits or benefit wages following a period of disqualification and noncharging where no disqualification is imposed. Thirty-seven States provide for noncharging where voluntary leaving is involved; 36 States, discharge for misconduct; and 9 States, refusal of suitable work (table 11). Four of these 9 States limit noncharging to cases where a claimant refuses re-employment in suitable work.

Alabama, Connecticut, and Delaware have provisions for canceling specified percentages of charges if the employer rehires the worker within specified periods.

Requirements for Rate Reduction

In accordance with the Federal requirements for experience rating, no reduced rates were possible in any State during the first 3 years of its unemployment insurance law. Except for Wisconsin, whose law preceded the Social Security Act, no reduced rates were effective until 1940 and then only in three States.

The requirements for any rate reduction or for successive schedules of rate reduction vary greatly among the States, regardless of type of experience-rating formula.

Prerequisites for any reduced rates.—Thirty-two laws now contain some requirement of a minimum fund balance before any reduced rate may be allowed. In 6 States the "solvency" requirement is in terms of millions of dollars; in 6 States in terms of a multiple of benefits paid; in 15 States in terms of a percentage of payrolls in certain past years; in 4 States in terms of whichever is greater, a specified amount or a specific requirement in terms of benefits or payroll; and in Kentucky it is in terms of a fund solvency factor. Such factor is determined by dividing the "benefit cost ratio" into the "state-wide reserve ratio." The "benefit cost ratio" is the per-

Table 12.—Fund requirements for any reduction from standard 2.7 percent rate and for most favorable schedule, 50 States¹

State	Requirements for any reduction in rates					Requirement for most favorable schedule ²
	Mil- lions of dollars (10 States)	Multiple of benefits paid (8 States)		Percent of payrolls (18 States)		
		Multiple	Years	Per- cent	Years	
Alabama.....						(³).
Arizona ⁴				3.5	Last 1.....	13 percent of payrolls.
Arkansas.....		1	Last 1.....			2 times benefits.
California ⁵		1.5	Last 1.....			7.1 percent of payrolls. ⁶
Colorado.....	10					\$65 million.
Connecticut.....				1.25	Last 3.....	4.25 percent of payrolls. ²
Delaware.....		1	Highest pre- vious 1.....			\$5 million.
Dist. of Columbia.....				2.4	Last 1.....	5 percent of payrolls.
Florida ⁴						
Georgia ⁴	75	3	Highest of last 5.....			
Hawaii.....				5	Average last 10.....	
Idaho.....	7.5			7.5	Last 1.....	11.5 percent of payrolls.
Illinois.....						(³).
Indiana.....	75					
Iowa.....		1	Last 1.....			\$110 million.
Kansas ⁴				4	Last 1.....	11 percent of payrolls.
Kentucky ⁹				(⁹)	(⁹).....	(⁹).
Louisiana.....				6	Last 1.....	12.5 percent of payrolls.
Maine ⁴	20					Over \$35 million.
Maryland.....				3	Last 1.....	10 percent of payrolls.
Massachusetts ⁵				4.5	Last 1.....	7 percent of payrolls.
Michigan.....						8.5 percent of payrolls.
Minnesota.....						\$100 million.
Mississippi.....	20			4	Last 1.....	8 percent of payrolls.
Missouri.....						7.5 percent of payrolls.
Montana ⁴	28					
Nebraska ¹⁰						
Nevada.....				6	Last 1.....	
New Hampshire ⁹	12					\$20 million.
New Jersey.....				2.5	Last 1.....	12.5 percent of payrolls.
New Mexico.....				2.5	Average last 3.....	5 percent of payrolls. ²
New York.....						14 percent of payrolls. ²
North Carolina.....						10.5 percent of payrolls.
North Dakota.....		1	Last 1.....			10 percent of payrolls.
Ohio.....						Over 7.5 percent of payrolls. ²
Oklahoma.....		2	Average last 5.....			3.5 times benefits. ²
Oregon ⁴				5	Average last 8.....	
Pennsylvania ⁴						
Rhode Island.....				6.5	Last 1 or average last 3.....	
South Carolina.....						7 percent of payrolls.
Tennessee.....						\$125 million.
Texas ⁴						Over \$200 million and 8 percent of payrolls. ⁴
Utah.....				6	Last 1.....	10 percent of payrolls.
Vermont.....						12 percent of payrolls.
Virginia.....						5 percent of payrolls. ^{2, 7}
Washington ¹¹						
West Virginia ⁵	40	1	Last 1.....			\$115 million.
Wisconsin.....						(¹²).
Wyoming.....				3.5	Last 1.....	1.5 percent of payrolls ²

¹ Excludes Alaska which has no experience-rating provision. When alternatives are given, the greater applies. See also table 13.

² Payroll used is that for last year except as indicated; last 3 years (Connecticut); average 3 years (New Mexico, Ohio, and Virginia); last year or 3-year average, whichever is more (New York); average 5 years (Oklahoma); 5 years (Wyoming).

³ One rate schedule but many schedules of different requirements for specified rates applicable with different "State experience factors" under benefit-wage-ratio formula. Alabama and Illinois have special solvency factors; see text.

⁴ Indeterminate number of schedules (see table 7).

⁵ Suspension of reduced rates is discretionary (California and South Dakota); 2.7 is effective until next quarter after required balance is restored (California); for 12-month period (Georgia); until fund equals 5.5 percent if reserve falls below 4.5 percent (Massachusetts); until fund is \$32 million (Montana); as long

(Footnotes continued on page 39.)

centage ratio obtained by dividing taxable wages for the last 5 years into the amount of benefits paid during the same period and "state-wide reserve ratio" is the percentage ratio obtained by dividing taxable wages for the last year into the fund balance (table 12). In some of these States, the specified balance is the signal for rates to return to the standard rate, 2.7 percent, rather than the point at which reduced rates are payable. (See table 12, footnote 5.) Regardless of form, the purpose of the requirement is to make certain that the fund is adequate for the benefits that may be payable.

More general provisions are included in the Maine and New Hampshire laws. The Maine law provides that if in the opinion of the commission an emergency exists, the commission after notice and public hearing may reestablish all rates at 2.7 so long as the emergency lasts. The New Hampshire commissioner may similarly set a 2.7 rate if he determines that the solvency of the fund no longer permits reduced rates.

In 17 States⁵ there is no provision for rates to return to the standard rate. In 14 of these 17 States rates are increased (or a portion of all employers' contributions is diverted to a special account) when the fund (or a specified account in the fund) falls below the levels indicated in table 13. In Texas individual employers' rates increase automatically when a heavy drain on the fund increases the "State experience factor." In Florida individual employer's rates also increase automatically due to the addition of an "adjustment factor" when the fund falls below 4 percent of the taxable payrolls in the preceding year. In Pennsylvania individual employer's rates increase automatically, due to an increase in the funding and experience factors when the fund falls below \$300 million.

Prerequisites for certain schedules.—Twenty-four of the States with fund requirements for any reduction of rates and 12 States without such requirements have fund requirements which bring into effect one of two or more rate schedules. The multiple schedules

⁵ Alabama, Florida, Illinois, Michigan, Minnesota, Missouri, Nebraska, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, and Wisconsin.

(Footnotes for Table 12.)

as the condition persists (Oregon); until next January 1 on which fund equals \$45 million (West Virginia); in case commission decides that emergency exists, 2.7 rate effective (Maine and New Hampshire).

⁶ Effective January 1, 1961, 6.7 percent of payrolls and after 1961, 6.2 percent of payrolls.

⁷ Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by \$500,000 (Connecticut); when fund reaches 7 percent and 7.25 percent of average taxable payrolls in last 3 years (Virginia).

⁸ Fund requirement is 1 or 2 of 3 adjustment factors used to determine rates. Such factor is either added or deducted from an employer's benefit ratio (Florida); such 2 factors may be zero and 0.1 percent when the fund balance is over \$300 million (Pennsylvania).

⁹ Rate schedule applicable depends upon "fund solvency factor". A 2.5 factor required for any rate reduction and a 6 factor required for most favorable rate schedule. See text for details. An individual employer's account must be at least 5 times the largest amount of benefits charged in last 3 years.

¹⁰ No requirement for fund balance in law; rates set by Commissioner in accordance with authorization in law.

¹¹ Rates are reduced by distribution of surplus; surplus is lesser of (1) the excess of the fund over 4 times last year's contributions and (2) 40 percent of such contributions.

¹² Four schedules of reduced rates. Rates reduced when gross wages have decreased 5, 10, and 15 percent below the preceding year and fund's balancing account is at least \$25 million.

Table 13.—Fund conditions under which least favorable schedule is applicable, 14 States¹ without provision for suspension of reduced rates

State	Fund	Indicated fund is less than					Range of rates	
		Mil- lions of dollars	Multiple of bene- fits paid		Percent of payrolls		Mini- mum	Maxi- mum
			Multi- ple	Years	Per- cent	Years		
Alabama.....			1.5	(²)			0.5	2.7
Illinois.....		450					.1	4.0
Michigan.....	Trust.....				5.0	Last 1.....	.5	4.0
Minnesota.....	Solvency.....	(³) 50					⁴ 1.0	4.5
Missouri.....			2	Last 1 ⁴			.6	3.0
Nebraska ⁵							.5	⁶ 3.5
							(⁷)	2.7
	Trust.....				4.0	Greater of last 1 or 3 years average.	1.3	3.2
New York.....	General account	50					2.3	4.2
North Carolina.....					4.5	Last 1.....	.9	3.7
Ohio.....			1	Last 2.....			.6	3.2
South Carolina.....					5.0	Last 1.....	1.3	2.7
Tennessee.....		⁷ 50					1.5	⁸ 3.0
Vermont.....			2	Last 1.....			1.4	2.7
Virginia.....					4.75	Average last 3.....	.5	2.7
Wisconsin.....	Balancing.....	⁹ 25					0	4.0

¹ Excluding Oklahoma and Texas where individual rates increase as the "State experience factor" increases and Florida where all rates are raised by the addition of an "adjustment factor" whenever the fund falls below 4 percent of taxable payroll in preceding year.

² State experience factor doubled when fund is less than amount equal to 1.5 times product of the highest taxable payroll of last 3 years times the highest benefit-payroll ratio in last 10 years.

³ Additional contribution of 0.5 percent required if the negative adjusted balance of the solvency account is \$24 million or more.

⁴ Or contributions, if greater.

⁵ Rate increases 0.3 percent per year up to 5.0 percent.

⁶ Rates set by rule in accordance with authorization in law, no minimum specified.

⁷ And contributions are exceeded by benefits in any quarter.

⁸ Maximum rate increasing to 3.3 percent July 1, 1960, 3.5 percent July 1, 1961, and 4 percent July 1, 1962.

⁹ And a decrease in gross wages from preceding year is less than 5 percent and benefits do not exceed 1 percent of gross wages by \$10 million or more.

are so varied as to be impossible of presentation comparatively. As the State funds available for benefits increase, these experience-rating formulas lower employers' rates for a given reserve ratio by schedule or by subtracting a given amount from each rate or dividing each rate by a given figure or adding new lower rates in the most favorable schedule. Table 12 presents the requirements for the most favorable schedule as well as the requirements for any reduced rates. Of the 24 States with fund requirements for any reduction of rates and one or more additional schedules, the solvency requirements are presented in full for 9 States that have only 2 schedules; and for the 15 States with more than 2 schedules, the range is shown. Table 13 shows the fund conditions under which the least favorable schedule is applicable and the range of rates in such schedule for the States without provision for suspension of reduced rates.

Two of the three States with benefit-wage-ratio systems and no fund requirement prerequisite to rate reduction have provisions for raising or lowering the State factor in accordance with the amount in the fund so as to raise or lower all employers' rates. The laws

contain only one rate schedule but the changes in the State experience factor change the benefit-wage-ratio prerequisite for a given rate. In Alabama, if the balance in the fund at the end of the year is less than the minimum normal amount ($1\frac{1}{2}$ times the highest ratio of benefits to payrolls during the last 10 years applied to the highest taxable payrolls in the last 3 years), the State experience factor is doubled and all employers' rates are raised one or more brackets according to the table of employers' benefit-wage percentages by State experience factor. In Illinois the State experience factor is increased 1 percent for every \$7 million by which the amount in the fund falls below \$450 million and reduced 1 percent for every \$7 million by which the amount in the fund exceeds \$450 million. The result is to increase or decrease any given employer's rate within the same schedule. Virginia provides for rate increases of one and two steps when the fund balance is less than 5 percent and less than 4.75 percent of the average of payrolls for the last 3 years.

Wisconsin has four schedules of rates (table 7) but no fund requirements of the type discussed here. The law provides for successive reduction of rates when gross payrolls have decreased by 5, 10, and 15 percent or more and benefits exceed 1 percent of gross wages by \$10, \$20, and \$30 million or more; the fund's balancing account must, however, have a net balance of \$25 million or more.

In addition to the alternative schedules for increased rates, 27 State laws have general provisions which require the State officials to inform the Governor and the legislature whenever they believe that a change in contribution rates is necessary (see page 79).

Requirements for rate reductions for individual employers.—Each State law incorporates at least the Federal requirements (see page 20) for reduced rates of individual employers. A few require more than 3 years of potential benefits for their employees or of benefit chargeability; a few require recent liability for contributions (see table 9). Many States require that all necessary contribution reports must have been filed and all contributions due must have been paid. If the system uses benefit charges, contributions paid in a given period must have exceeded benefit charges.

Voluntary contributions.—In 26 States employers may obtain reduced rates by voluntary contributions (table 7). The purpose of the voluntary contribution provision in 22 States with reserve-ratio formulas is to increase the balance in the employer's reserve so that he is assigned a lower rate, which will save him more than the amount of the voluntary contribution. In Minnesota, Pennsylvania, and Wyoming, with benefit-ratio systems, the purpose is to permit an employer to pay voluntary contributions to cancel benefit

charges to his account and thus reduce his benefit ratio. In Montana voluntary contributions are used only to cancel the excess of benefit charges over contributions, thereby permitting an employer to receive a reduced rate.

Rates and Rate Schedules

In 47 States rates are assigned in accordance with rate schedules in the law; in Nevada in accordance with a rate schedule in a regulation required under general provisions in the law. In 41 States the rates are assigned for specified ratios; in 29 of these States for specified reserve ratios (see table 14); in 6 States for specified benefit ratios; and in 6 States for specified benefit-wage ratios. In Arizona and Kansas the rates assigned for specified reserve ratios are adjusted to yield specified average rates. In Mississippi rates are assigned according to specified payroll declines; in New York according to employers' scores on a combination of points (see page 29); and in Connecticut, Idaho, and Montana according to employers' experience arrayed in comparison with other employers' experience. Connecticut arrays its employers' payrolls in 13 equal parts and assigns specified rates to each group according to the fund balance (see page 28). Idaho arrays its employers who meet the requirements for reduced rates in 13 groups; 20 percent of the employers with the best reserve ratios pay 0.3 percent; those with the next 20 percent pay 0.4 percent; those with the next 10 percent pay 0.6 percent; those with each succeeding 5 percent pay 0.2 percent more. Montana arrays its employers according to their combined experience in three factors and assigns rates specified in the law (0.5 to 2.7 percent) to yield approximately 1.2 percent of the total annual payrolls.

The laws of Utah and Washington contain no rate schedules. In Washington surplus funds are distributed by credit certificates. If any employer's certificate equals or exceeds his required contribution for the next year, he would in effect have a 0 rate. In Utah surplus funds are distributed as described on page 29.

Thirteen States have schedule of variable rates; this number includes two States with benefit-wage systems with only one rate schedule but with another variable, the State benefit factor, determining any employer's rate for a given benefit-wage ratio and Florida and Pennsylvania where individual employer rates are adjusted up or down depending on the "balance of fund" factors. Thirty-five States have two or more schedules applicable under different conditions of the fund. Some laws include detailed alternative schedules; other, a basic schedule and provisions for raising or lowering each rate, at stated fund levels, by a specified amount

or percent within certain maximum and minimum rates, or by eliminating the lower rates when the fund falls to certain levels. Texas has an indeterminate number of schedules; for each \$5 million in excess of the amount over \$200 million which represents 8 percent of taxable wages, each employer's rate is reduced 0.1 percent from computed rates but no employer pays less than 0.1 percent or more than 2.7 percent.

The largest number of schedules—13—is in West Virginia, where employers' rates vary from a schedule of 9 rates (1.1 to 2.7 percent) when the balance in the fund is less than \$40 million to a schedule of 7 rates (0 to 2.7 percent) when the fund is \$115 million or more. The largest of reduced rates in a schedule is 27 in Rhode Island, varying from 0 to 2.6 by 0.1 percent intervals. The smallest number of reduced rates is two in Colorado (table 7).

Computation dates and effective dates.—In all but 8 States the effective date for new rates is January 1; in these 8 it is April 1 or July 1. In 30 States the computation date for new rates is a date 6 months prior to the effective date; however, in 11 States with a January 1 effective date, the computation date is the preceding December 31. In the other 9 States, the lag is 3 or 5 months (table 8).

Six States have special computation dates for employers first meeting the requirements for computation of rates. Michigan, with a regular computation date, June 30, and effective date, January 1, provides a special computation date of December 31, for employers who first qualify between the regular computation and effective date. Alabama, Arizona, Georgia, South Carolina, and Texas compute rates (to be effective the following quarter) at the end of each calendar quarter for employers first qualifying during the quarter.

Minimum rates.—Minimum rates in the most favorable schedules vary from 0 (16 States) to 1.2 percent of payrolls in Oregon. In Washington, which has no rate schedule, some employers may have a 0 rate. Only two States have a minimum rate of 0.6 percent or more. The largest number of States (25) have minimum rates of 0.1 to 0.3 percent inclusive; six have 0.5. The minimum rate in Utah depends on the surplus and the payrolls of the employers in the various classes to which the surplus is distributed. In 1960, it is 1.2 percent.

Minimum rates in the least favorable schedule of the States without provision for suspension of reduced rates range from 0 in Wisconsin to 1.3 percent in New York where an additional 1-percent contribution may be required for the general account.

Maximum reduced rates.—The maximum reduced rates in the most favorable schedules vary from 0.5 percent in Colorado to 2.6 percent in seven States.

Table 14.—Contribution rates in most favorable schedule, by reserve ratio, 29 States¹ with reserve-ratio formula²

State	Reserve-ratio (percent) ³																			
	Minus balance	0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0
Contribution rates (percent) ⁴																				
Arkansas.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
California.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Colorado.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
District of Columbia ⁵	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Georgia.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Hawaii.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Indiana.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Iowa.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Kentucky ⁶	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Louisiana ⁷	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Maine.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Massachusetts.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Michigan ⁸	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Missouri ⁹	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Nebraska.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Nevada ¹⁰	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
New Hampshire.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
New Jersey.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
New Mexico.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
North Carolina.....	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
North Dakota.....	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Ohio.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Oregon.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Rhode Island ¹¹	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
South Carolina.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
South Dakota ¹²	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Tennessee ¹³	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
West Virginia.....	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Wisconsin ¹⁴	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

(Footnotes on page 45.)

Rates above the standard rate.—Seventeen States provide for rates above 2.7 percent, varying from 2.9 percent in Florida, to 4.5 percent in Delaware (table 7). In California, Minnesota, Missouri, New Jersey, and Ohio, the maximum rate in the most favorable schedule is 2.7 percent. In Michigan the maximum rate in the most favorable schedule is higher than the standard rate (3.9) but less than the highest rate in the other schedules. In North Carolina the penalty rate applies only to employers with a minus balance regardless of the schedule. In Delaware the penalty rate applies to the most favorable schedule; the less favorable schedules merely eliminate one or more of the lower rates. In Wisconsin the penalty rate in the basic schedule is 4 percent; in the three schedules applicable when gross payrolls have decreased (see page 41), the highest rates are 3.6, 3.2, and 2.9 percent.

In addition, some employers in New York may pay emergency contributions of 0.2 to 1.0 percent to the "general account" when it falls to certain levels, in addition to their regular contributions. Michigan requires emergency contributions of 0.1 to 0.5 percent when the negative adjusted balance of the solvency account is at certain levels. These special accounts in New York and Michigan are balancing accounts credited with such items as interest and penalties collected from employers, earnings on moneys in the fund, and lapsed balances of employers' accounts, and debited with benefits not chargeable to employers' accounts and employers' negative balances written off. Maryland requires additional contributions of 0.5 and 1.0 percent when the fund balance is less than 5.0 percent of payrolls.

Rates for given reserve ratios.—Table 14 (except as noted in footnote 1) summarizes the contribution rates for given reserve ratios in the most favorable schedule in each State using this system of experience rating. In 8 of these States there is only 1 schedule. In the other 21 States, the most favorable schedule is not applicable if the State fund does not meet the requirements indicated in table

(Footnotes for Table 14.)

¹ Excluding Arizona and Kansas which adjust rates proportionately to provide specified approximate tax yields when total fund assets are within specified ranges; Idaho which arranges employers' payrolls in order of their reserve ratios and assigns rates on the basis of rate classes; and New York in which rates are assigned in accordance with 4 experience factors of which reserve ratio is the principal factor.

² Reserve ratio is in terms of percentage of 1-year's payroll or average annual payroll. Schedules for Indiana, Kentucky, and North Carolina, stated in terms of ratio of reserve to 3 years' aggregate payroll and for South Dakota in terms of 4 years' aggregate payroll, are converted to average annual payroll over specified period. Contribution rates shown are those in schedules under the most favorable statewide fund conditions. See table 7 for number of other schedules and maximum rates in least favorable schedule, table 9 for years of contributions, benefits and payrolls used in the State formula and table 12 for requirements for most favorable schedule.

³ In States noted rates shown do not necessarily apply to specified reserve ratio percentages shown but may apply somewhere in a given 0.5 percent interval, for example, a 0.5 percent rate in the District of Columbia applies to employers with reserve ratios of at least 2.9 percent but less than 3.4 percent. In Nebraska and Nevada the reserve ratio percentages are specified by rule.

⁴ An employer with a minus balance may have his rate increased 0.3 percent per year until it reaches 4.5 percent; thereafter, it will be 3.6 percent (Missouri); schedule does apply until rate year 1962 (Rhode Island); maximum rate for a negative balance increasing to 3.3 percent after July 1, 1960 and to 3.5 percent after July 1, 1961 (Tennessee).

⁵ In Wisconsin alternative schedules with rates 10, 20, and 30 percent lower become effective when gross wages have decreased 5, 10, and 15 percent below the preceding year and fund's balancing account is at least \$25 million.

12. Among the 29 States there are no two identical schedules. Rate reduction below 2.7 percent for individual employers depends in 1960 on widely varying reserves. In Colorado, the District of Columbia, Missouri, New Jersey, North Dakota, and Ohio, employers with a reserve balance of 1 percent or less of payrolls are assigned reduced rates (0.5 to 2.5 percent). At the other extreme, employers in Oregon must have 7 percent of average annual payrolls to pay less than 2.7 percent. Thirteen of the 29 States require a reserve of at least 3 percent before an employer pays less than 2.7 percent.

The incidence of the 0 rate in the 11 States having such a rate is as varied as the incidence of the first reduced rate discussed above. The reserve required for a 0 rate varies from 2 percent in Colorado to 15 percent in Missouri.

The formulas for benefit ratios are so diverse in the intervals used that the rates per benefit ratios can be compared only by consulting the table and the footnotes.

Wisconsin prevents sudden increases of rates by a provision that no employer's rate in any year may be more than 1 percent more than in the previous year. Michigan limits the increase in an employer's rate to 1.0 percent. Montana provides not more than two jumps above the preceding rate.

Table 15 summarizes the contribution rates for given reserve ratios in the least favorable schedule of the reserve-ratio States which have no provision for suspension of reduced rates.

Experience of Employers Who Enter Armed Forces

Twenty-one States have special provisions permitting assignment of a reduced rate to an otherwise eligible employer whose business was closed for a period solely because of his entry into the Armed Forces. If the business is resumed within a specified period (usually 2 years) after the employer's release from active duty, the employer's experience is deemed to be continuous throughout the period and his rate is based on such of his prior contributions, payrolls, and benefits (including benefits paid to any individual during the period the employer was in the Armed Forces based upon wages paid by the employer) as is appropriate under the State's formula. These 21 States include 15 with a reserve-ratio formula,⁶ 3 with a benefit-wage-ratio formula (Alabama, Delaware, and Illinois) and 3 with a benefit-ratio formula (Florida, Maryland, and Minnesota).

⁶Arkansas, District of Columbia, Georgia, Idaho, Nebraska, New Hampshire, New Jersey, New Mexico, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, and Wisconsin.

Table 15.—Contribution rates in least favorable schedule, by reserve ratio, 8 States with reserve-ratio formula¹ and no provision for suspension of reduced rates²

State	Minus bal- ance	0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	15.0	16.0	17.0	18.0	19.0 and over
		Contribution rates *																																	
Michigan 4	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.7	3.5	3.3	3.2	2.9	2.3	1.9	1.7	1.5	1.3	1.1	.9	.9	.7	.7	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5
Missouri 5	3.8	3.2	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.7	2.7	2.5	2.3	2.1	1.9	1.7	1.7	1.5	1.5	1.3	1.3	1.1	1.1	.9	.8	.7	.7	.6	.5	.5	.5	.5	.5	.5	.5
Nebraska 6	2.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
North Carolina 7	3.7	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Ohio	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
South Carolina	2.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Tennessee 8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Wisconsin	4.0	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0	1.5	1.5	1.0	1.0	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5

¹ Reserve ratio is in terms of percentages of 1-year's payroll or average annual payroll. Schedule for North Carolina stated in terms of ratio of reserve to 3 years' aggregate payroll is converted to average annual payroll. Contribution rates shown are those in schedules under least favorable State-wide fund conditions, in Wisconsin under most favorable gross-wage or benefit conditions. For additional emergency contributions to solvency accounts see footnote 4. See table 7 for number of other schedules, table 9 for years of contributions, benefits and payrolls used in the State formula and table 13 for requirements for least favorable schedule.

² Excludes New York in which rates are assigned in accordance with 4 experience factors of which reserve ratio is the principle factor.

³ Rates shown apply to the reserve ratio specified; they show the range of reserve ratios to which any given rate applies; for this purpose, for example, 4.5 percent in Missouri should be read as 4.5 to 4.99 percent. See also footnotes 4, 5, and 7.

⁴ Additional emergency contributions of 0.1 to 0.5 percent for solvency account are required under conditions shown in table 13. The intervals in the Michigan law are as follows:

Reserve ratio:	Rate	Reserve ratio—Continued	Rate
Less than 1.0 percent	4.0	5.2, less than 5.4	2.1
1.0, less than 2.6	3.9	5.4, less than 5.7	1.9
2.6, less than 3.2	3.7	5.7, less than 6.1	1.7
3.2, less than 3.7	3.5	6.1, less than 6.6	1.5
3.7, less than 4.1	3.3	6.6, less than 7.2	1.3
4.1, less than 4.4	3.1	7.2, less than 8.0	1.1
4.4, less than 4.6	2.9	8.0, less than 9.0	.9
4.6, less than 4.8	2.7	9.0, less than 10.0	.7
4.8, less than 5.0	2.5	10.0, or more	.5
5.0, less than 5.2	2.3		

⁵ An employer with a minus balance may have his rate increased 0.3 percent per year until it reaches 5.0 percent; thereafter, it will be 4.1 percent.

⁶ Rates specified by rule in accordance with provision that the agency shall issue rates annually.

⁷ The intervals in the North Carolina law (converted to average annual payroll) are as follows:

Debit ratio:	Rate	Credit reserve ratio:	Rate
5.4 percent and over	3.7	Less than 8.4 percent	2.7
4.8, less than 5.4	3.6	8.4, less than 9.0	2.5
4.2, less than 4.8	3.5	9.0, less than 9.6	2.3
3.6, less than 4.2	3.4	9.6, less than 10.2	2.1
3.0, less than 3.6	3.3	10.2, less than 10.8	1.9
2.4, less than 3.0	3.2	10.8, less than 11.4	1.7
1.8, less than 2.4	3.1	11.4, less than 12.0	1.5
1.2, less than 1.8	3.0	12.0, less than 12.6	1.3
0.6, less than 1.2	2.9	12.6, less than 13.2	1.1
Less than 0.6	2.8	13.2 and over	.9

⁸ Maximum rate for a negative balance increases to 3.3 percent after July 1, 1960, and to 3.5 percent after July 1, 1961.